

Message Text

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SUBJECT: US-JAPAN CIVAIR ISSUES

1. FOLLOWING IS TEXT US DOCUMENT 5 HANDED TO JAPANESE
EMBOFF JANUARY 5. SEPTEL REPORTS SUBSTANCE OF MEETING:

QUOTE. US-JAPAN AVIATION NEGOTIATIONS.

ALTHOUGH THE NEXT ROUND OF US-JAPAN AVIATION NEGOTIATIONS
HAS BEEN POSTPONED, AT THE REQUEST OF THE JAPANESE GOVT,
UNTIL MARCH 1978, THE US SIDE BELIEVES IT IS DESIRABLE TO
CONTINUE AN EXCHANGE OF VIEWS FOR THE PURPOSE OF FINDING A
CONCEPTUAL BASIS TO REACH OVERALL AGREEMENT. IN ADDITION,
SINCE THE OBJECTIVE ESTABLISHED BY THE TWO SIDES IN THE
JULY 12, 1977 MEMORANDUM OF CONSULTATIONS OF REACHING
AGREEMENT BY YEAR'S END CANNOT NOW BE REALIZED, A NUMBER OF
UNRESOLVED QUESTIONS AND UNCERTAINTIES THEREBY ARISE
RELATING TO THE OPERATIONS OF AIRLINES AND TO THE USE OF
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JAPANESE AIRPORTS. THESE QUESTIONS CANNOT BE DEFERRED
UNTIL THE DELAYED NEGOTIATIONS RESUME.

THE US SIDE FIRST WISHES TO CLARIFY THE POSITION SET FORTH
IN US DOCUMENT 4, WHICH HAS BEEN MISINTERPRETED IN THE
JAPANESE RESPONSE CONTAINED IN JAPANESE PAPER 6. JAPAN

SEEKS ADDITIONAL ROUTE RIGHTS FOR ITSELF, THE DIMINUTION OF SOME US ROUTE RIGHTS, LIMITATIONS ON DESIGNATION, AND CAPACITY CONTROL TO RECTIFY WHAT THE JAPANESE SIDE PERCEIVES AS A BASIC INEQUITY IN THE CIVIL AIR TRANSPORT AGREEMENT. ALTHOUGH THE US DOES NOT AGREE THAT THE EXISTING AGREEMENT IS INEQUITABLE, IT IS WILLING TO GRANT JAPAN REASONABLE, NEW ROUTE RIGHTS WHICH, IN THE FINAL ANALYSIS, WOULD REMOVE THE "INEQUITY" WHICH THE JAPANESE SIDE PERCEIVES. BUT ANY EXPANSION IN ROUTE OPPORTUNITIES CAN ONLY BE ACHIEVED IN THE CONTEXT OF AN OVERALL AGREEMENT WHICH PERMITS EXPANSION OF SCHEDULED AND CHARTER AIR SERVICES BY AIRLINES OF BOTH COUNTRIES ON A LOW-COST AND COMPETITIVE BASIS. THUS, THE US IS NOT PREPARED TO ACCEPT A CURTAILMENT OF US ROUTE RIGHTS AND OPERATIONS, THE LIMITATIONS ON DESIGNATION AND CAPACITY WHICH JAPAN SEEKS, OR THE ABSENCE OR DEFERRAL OF A CHARTER AIR SERVICES AGREEMENT. THE US CONSIDERS THAT JAPAN WOULD BENEFIT FROM AN EXPANSIONARY APPROACH SINCE JAPANESE AIRLINES WOULD HAVE THE SAME EQUAL OPPORTUNITY TO PARTICIPATE IN THE EXPANSION OF SCHEDULED AND CHARTER AIR SERVICES UNDER THE ARRANGEMENTS PROPOSED BY THE US. IN FACT, WITH ADDITIONAL ROUTE RIGHTS, JAPAN WOULD ACHIEVE A SUBSTANTIAL NET GAIN IN OPPORTUNITIES, AS WELL AS BENEFITS.

IT IS MISLEADING FOR THE JAPANESE SIDE TO CHARACTERIZE THE US INSISTENCE ON ADDRESSING THE JAPANESE AIRPORT CAPACITY LIMITED OFFICIAL USE

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QUESTION AS A PRECONDITION TO NEGOTIATION OF THE MAIN ISSUES. THE FACT IS THAT JAPANESE AIRPORT CAPACITY PRESENTLY CONSTITUTES AN IMPEDIMENT TO THE EXPANSION OF AIR SERVICES BY US AND JAPANESE AIRLINES AND BY SCHEDULED OR CHARTER SERVICES. IT IS FOR THIS REASON THAT THE US SIDE SEEKS TO ADDRESS THE AIRPORT CAPACITY QUESTION AND HAS INCLUDED THIS QUESTION IN ITS CONCEPTUAL APPROACH (US DOCUMENT 4). AIRPORT CAPACITY IS NOT A PRECONDITION TO NEGOTIATIONS BUT AN UNDERLYING FACTOR DIRECTLY AFFECTING ALL THE OTHER NEGOTIATING ISSUES. ITS RELEVANCE CANNOT BE SIDESTEPED.

THE QUESTION OF AIRPORT CAPACITY IS SO BASIC THAT THE US SIDE WANTS TO EXPRESS ITS CONCERNS FRANKLY. THE EXPECTATION WAS THAT EXPANSION COULD TAKE PLACE WHEN NARITA AIRPORT OPENED. HOWEVER, THE US SIDE HAS BEEN UNABLE TO OBTAIN CONCRETE INFORMATION ON CAPACITY AT NARITA, EITHER IN THE SHORT OR LONG TERM, AND STATEMENTS MADE BY THE JAPANESE SIDE PROVIDE NO ENCOURAGEMENT THAT EXPANDED AIR SERVICES WILL BE POSSIBLE IN THE NEAR TERM. THERE IS ONLY A VAGUE PROMISE THAT IMPROVEMENT WILL BE POSSIBLE IN THE FUTURE.

THE SITUATION AT OSAKA IS EQUALLY DISTURBING. THIS IS THE ONLY OTHER MAJOR AIRPORT IN JAPAN AT WHICH US AIRLINES HAVE TRAFFIC RIGHTS. ALTHOUGH OSAKA AIRPORT IS NOW OPEN FOR WIDE-BODIED AIRCRAFT ON DOMESTIC SERVICES, PLANS TO ALLOW SUCH AIRCRAFT ON INTERNATIONAL SERVICES HAVE BEEN REPEATEDLY DEFERRED. MOREOVER, IT APPEARS THAT THE NUMBER OF INTERNATIONAL WIDE-BODIED AIRCRAFT MOVEMENTS AT OSAKA WILL BE SO SEVERELY LIMITED THAT THE VALUE OF THE OSAKA RIGHTS OBTAINED BY THE US IN 1965 IN RETURN FOR JAPANESE RIGHTS TO NEW YORK AND BEYOND WILL BE EVEN FURTHER DIMINISHED. JAL, HOWEVER, CAN NOW OFFER WIDE-BODIED SERVICE TO OSAKA FOR INTERNATIONAL TRAFFIC VIA TOKYO. AN ADDITIONAL MATTER OF CONCERN RELATING TO OSAKA IS THE APPARENT LIMITED OFFICIAL USE

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JAPANESE POLICY OF REFUSING ENTRY OF NEW AIRLINES AT OSAKA. THIS POLICY WOULD FURTHER DEPRIVE THE US OF RIGHTS IT HAS UNDER THE AGREEMENT, INCLUDING SERVICE BY CONTINENTAL/AIR MICRONESIA BETWEEN SAIPAN AND OSAKA.

IN ADDITION TO THE HIGHLY CRITICAL AIRPORT CAPACITY SITUATION, THE INTERNATIONAL AIRLINES WHICH WILL HAVE TO USE NARITA AIRPORT ARE BEING ASKED TO PAY SUBSTANTIALLY HIGHER USER CHARGES THAN THEY PAY AT HANEDA AND TO ACCEPT ARRANGEMENTS REGARDING FUEL DELIVERY, CARGO HANDLING, AND OTHER MATTERS WHICH ARE EITHER TENUOUS OR UNSATISFACTORY. THESE PROBLEMS RAISE QUESTIONS ABOUT THE UTILITY OF NARITA AS AN INTERNATIONAL AIRPORT. THE US IS STUDYING THESE QUESTIONS AND EXPECTS TO SUBMIT FURTHER VIEWS IN THE NEAR FUTURE WHICH ARE LIKELY TO REQUIRE DISCUSSION WITH THE JAPANESE AUTHORITIES. HOWEVER, OUR TENTATIVE CONCLUSION IS THAT THE IMPENDING MOVE OF INTERNATIONAL SERVICES AT NARITA, COUPLED WITH HIGHER USER CHARGES AND THE OPERATIONAL RISKS AND DISADVANTAGES, DO NOT IMPACT EQUALLY AS BETWEEN US (AND OTHER FOREIGN) AIRLINES AND JAL. THE US SIDE IS CONCERNED THAT A BY-PRODUCT OF THE POLICIES ADOPTED BY JAPAN TO RESOLVE ITS ADMITTEDLY DIFFICULT AIRPORT PROBLEMS MAY BE TO PLACE US AIRLINES IN A DISADVANTAGEOUS AND POSSIBLY DISCRIMINATORY POSITION WITH RESPECT TO JAL. THE RESOLUTION OF SUCH ISSUES IN ADVANCE OF THE RESUMPTION OF NEGOTIATIONS IN MARCH WOULD CLEARLY IMPROVE THE PROSPECTS FOR A SUCCESSFUL OUTCOME OF THOSE NEGOTIATIONS. THEREFORE, THE US PROPOSES THAT DISCUSSIONS BE HELD EXPEDITIOUSLY TO CONSIDER THE NARITA AND OSAKA AIRPORT QUESTIONS.

THE US HAD HOPED THAT THE NEGOTIATIONS WOULD HAVE BEEN CONCLUDED BEFORE THE END OF 1977 AND THAT THE QUESTION OF LIMITED OFFICIAL USE

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THE EXTENSION OF THE CAPACITY FREEZE, PROVIDED FOR IN THE JULY 12, 1977 MEMORANDUM OF CONSULTATION, WOULD NOT HAVE ARISEN. THE US IS NOT PREPARED TO ACCEPT ANY FURTHER

DEROGATION FROM THE 1959 AGREED MINUTES WITH REGARD TO CAPACITY RESTRICTIONS. HOWEVER, IN AN EFFORT TO AVOID CONTENTION IN THE INTERIM PERIOD PRIOR TO THE RESUMPTION OF NEGOTIATIONS IN MID-MARCH, THE US GOVERNMENT CAN INFORM THE GOVERNMENT OF JAPAN THAT, AS A MATTER OF FACT, US CARRIERS DO NOT INTEND TO INCREASE THEIR TOTAL NUMBER OF REGULAR FREQUENCIES OPERATING TO AND FROM HANEDA, OSAKA, AND NAHA AT ANY DATE PRIOR TO MARCH 31, 1978, NOR DO THEY INTEND FURTHER UPGRADING OF EQUIPMENT FROM NARROW-BODIED TO WIDE-BODIED AIRCRAFT AT HANEDA DURING THIS PERIOD.

IN THE EXPECTATION THAT THIS STATEMENT WILL ASSIST THE JAPANESE GOVERNMENT TO AVOID PROBLEMS WHICH COULD ADVERSELY AFFECT THE ATMOSPHERE FOR THE RESUMPTION OF NEGOTIATION, THE US WISHES TO EXPRESS ITS FURTHER EXPECTATION THAT:

1. FREQUENCIES AND CAPACITY OPERATED AT ANY TIME IN 1977 MAY CONTINUE TO OPERATE AT HANEDA, OSAKA, AND NAHA, AND CHANGES IN, OR ADDITIONS TO, POINTS SERVED ON FLIGHTS TOUCHING JAPANESE AIRPORTS WILL BE PERMITTED, AS WELL AS SEASONAL EXTRA SECTIONS (ASSUMING NON-DISCRIMINATORY AVAILABILITY OF SLOTS).

2. WHEN OSAKA IS OPENED FOR WIDE-BODIED AIRCRAFT ON INTERNATIONAL FLIGHTS, US AIRLINES WILL BE ALLOWED TO UPGRADE EQUIPMENT ON A NON-DISCRIMINATORY BASIS, SUBJECT TO THE FURTHER US-JAPAN DISCUSSION ON AIRPORT CAPACITY FORESEEN ABOVE.

3. PENDING A NEGOTIATED SOLUTION, THE ANNUAL QUOTA OF 70 ROUNDTRIP CHARTER FLIGHTS FOR US SUPPLEMENTAL AIRLINES WILL BE AVAILABLE DURING 1978, AND REQUIRED AIRPORT SLOTS

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WILL BE ALLOCATED FOR SUCH FLIGHTS IN SUFFICIENT TIME TO PERMIT THE FLIGHTS TO BE CONTRACTED FOR OPERATION ON SPECIFIC DATES.

LASTLY, THE US SIDE BELIEVES THAT THE TWO SIDES SHOULD CONSULT CLOSELY SHOULD OTHER MATTERS ARISE PRIOR TO THE RESUMPTION OF TALKS IN MARCH. UNQUOTE.

CHRISTOPHER

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